

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name D.A.R.T fund City of Alma	County Gratiot
Fiscal Year End June 30, 2006	Opinion Date November 3, 2006	Date Audit Report Submitted to State February 14, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

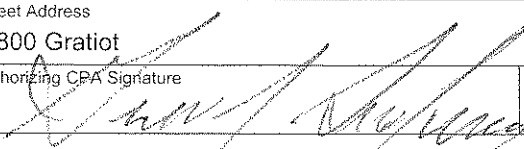
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	None required	
Other (Describe)	<input type="checkbox"/>	None required	
Certified Public Accountant (Firm Name) The Rehmann Group		Telephone Number 989-799-9580	
Street Address 5800 Gratiot		City Saginaw	State MI
Authorizing CPA Signature 		Printed Name Gerald Desloover	Zip 48603
		License Number 1101007126	

City of Alma  
D.A.R.T. Fund  
Alma, Michigan

Financial Statements

June 30, 2006

**CITY OF ALMA  
D.A.R.T. FUND**

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**REHMANN ROBSON**

*Certified Public Accountants*

A member of **THE REHMANN GROUP**

An Independent Member of Baker Tilly International

## **INDEPENDENT AUDITORS' REPORT**

November 3, 2006

Honorable Mayor and Members  
of the City Commission  
City of Alma  
Alma, Michigan

We have audited the accompanying financial statements of the D.A.R.T. Enterprise Fund of the City of Alma, Michigan, as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the City of Alma, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the D.A.R.T. Enterprise Fund and do not purport to, and do not present fairly the financial position of the City of Alma, Michigan, as of June 30, 2006, and the changes in its financial position or, where applicable its, cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the D.A.R.T. Fund of the City of Alma, Michigan, as of June 30, 2006 and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principals generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2006, on our consideration of the D.A.R.T. Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the D.A.R.T. Fund of the City of Alma, Michigan. Such information, except for those schedules marked unaudited, on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, prominent 'L' at the beginning.

## **FINANCIAL STATEMENTS**

**CITY OF ALMA  
D.A.R.T. FUND  
STATEMENT OF NET ASSETS  
JUNE 30, 2006**

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**Assets**

**Current assets**

Cash and cash equivalents	\$ 127,787
Investments	792,982
Receivables:	
Grants	22,061
Taxes	1,209
Interest	15,085
Prepaid expenses	<u>6,527</u>

**Total current assets** 965,651

Capital assets, net of accumulated depreciation 576,953

**Total assets** 1,542,604

**Liabilities**

Accounts payable	21,992
Salaries payable	30,775
Due to other governments	<u>7,808</u>

**Total liabilities, all current** 60,575

**Net assets**

Investment in capital assets	576,953
Unrestricted	<u>905,076</u>

**Total net assets** \$ 1,482,029

The accompanying notes are an integral part of these financial statements.

**CITY OF ALMA**  
**D.A.R.T. FUND**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGE IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2006**

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Operating revenues	\$ 79,434
Operating expenses	<u>593,317</u>
<b>Net operating loss</b>	<u>(513,883)</u>
<b>Nonoperating revenues</b>	
Local	181,825
Federal grants	174,391
State grants	<u>214,690</u>
<b>Total nonoperating revenues</b>	<u>570,906</u>
<b>Change in net assets</b>	57,023
Net assets, beginning of year	<u>1,425,006</u>
<b>Net assets, end of year</b>	<u><u>\$ 1,482,029</u></u>

The accompanying notes are an integral part of these financial statements.



**CITY OF ALMA**  
**D.A.R.T. FUND**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2006**

<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 100,392
Cash payments for goods and services	(92,491)
Cash payments for employees	(382,237)
<b>Net cash used in operating activities</b>	<u>(374,336)</u>
<b>Cash flows from noncapital financing activities</b>	
Receipt of taxes	139,970
Receipt of grants	389,081
<b>Net cash provided by noncapital financing activities</b>	<u>529,051</u>
<b>Cash flows from capital and related financing activities</b>	
Purchase of capital assets	<u>(165,995)</u>
<b>Cash flows from investing activities</b>	
Sale of investments	9,096
Interest received	39,148
<b>Net cash provided by investing activities</b>	<u>48,244</u>
<b>Net increase in cash and cash equivalents</b>	36,964
Cash and cash equivalents, beginning of year	<u>90,823</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 127,787</u></u>
<b>Reconciliation of operating loss to net cash used in operating activities</b>	
<b>Operating loss</b>	\$ (513,883)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation expense	82,036
(Increase) decrease in assets	
Receivables	20,958
Prepaid expenses	5,101
Increase (decrease) in liabilities	
Accounts payable	27,412
Salaries payable	4,040
<b>Total adjustments</b>	<u>139,547</u>
<b>Net cash used in operating activities</b>	<u><u>\$ (374,336)</u></u>

The accompanying notes are an integral part of these financial statements.

# **CITY OF ALMA D.A.R.T. FUND**

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006**

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Alma D.A.R.T. Fund (the “Fund”) was organized under the Home Rule Act, Public Act 279 of 1965. It has the capability and the authority to provide public transportation to the general public in the City of Alma. This fund represents only a portion of the financial activity of the City of Alma (the “City”) and thus the financial statements are not intended to present fairly the financial position, changes in financial position and cash flows of the City of Alma in conformity with generally accepted accounting principles.

#### **The Reporting Entity**

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for the various governmental organizations to be included in the reporting entity. The City of Alma is the primary government which has the oversight responsibility and control over all activities related to the D.A.R.T. Fund. The Fund receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the Fund is included in the City of Alma’s “reporting entity” as defined by GASB since the City has oversight responsibilities over the Fund. The Fund is included in the City of Alma financial statements as an Enterprise Fund.

The accounting policies of the City of Alma’s D.A.R.T. Fund conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies.

#### **Basis of Accounting**

The D.A.R.T. Fund uses a flow of economic resources measurement focus. All assets and liabilities associated with the operations of this fund are included on the statement of net assets. The operating statement presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The accrual basis of accounting is followed for the D.A.R.T. Fund. The accrual basis provides that revenues are recorded when earned and expenses are recorded when the related liability is incurred.

Private-sector standards of accounting and financial reporting issued prior to December 31, 1989, generally are followed in the D.A.R.T. Enterprise Fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the *option* of following subsequent private-sector

## **CITY OF ALMA D.A.R.T. FUND**

### **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006**

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guidance for their enterprise funds, subject to this same limitation. D.A.R.T. has elected not to follow subsequent private-sector guidance.

Enterprise funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise funds' principal ongoing operations. The principal operating revenues of the D.A.R.T. enterprise fund are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expense not meeting this definition are reported as nonoperating revenues and expenses.

#### **Cash and Cash Equivalents**

Cash and cash equivalents consist of participation in the cash and investment pool operated by the City of Alma.

#### **Investments**

The investment pool operated by the City restricts its investments to the following: bonds, bills or notes of the United States; commercial paper rated prime; securities issued or guaranteed by agencies or instrumentalities of the United States; United States government federal agency obligation repurchase agreements composed of eligible collateral whose fair value must be maintained equal to or greater than amounts advanced, and with an undivided interest; bankers' acceptances; and mutual funds and investment pools that are composed entirely of the aforementioned investments that are legal for direct investment by a City.

#### **Statement of Cash Flows**

For the purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

#### **Capital Assets**

Capital assets, which include property and equipment, are reported in the statement of net assets. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**CITY OF ALMA  
D.A.R.T. FUND**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

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The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant, and equipment of D.A.R.T., is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building improvements	10-40
Vehicles	3-10
Machinery and equipment	5-20
Office equipment	5-20

**Property Taxes**

Property taxes are assessed by the City of Alma as of December 31 and are attached as an enforceable lien on property as of July 1 of the following year. The taxes are due without penalty on or before September 15. Real property taxes not collected as of March 1 are turned over to Gratiot County for collection. The D.A.R.T. Fund of the City recognizes property taxes as revenues when they are levied on July 1 because at that point they are both measurable and available.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

**Deposits**

The D.A.R.T. Fund operates a common checking account with the City of Alma. Surplus funds are invested throughout the year. The City of Alma allocates interest earnings to the participating funds in relation to the average cash balance of each fund. The amount of FDIC insurance applicable to the D.A.R.T. Fund is undeterminable as a result of pooling its deposits with the City.

**Investments**

The investments of the D.A.R.T. Fund are surplus funds that are combined with the City's other surplus funds and the specific nature of the D.A.R.T. Fund investments is undeterminable.

**CITY OF ALMA  
D.A.R.T. FUND**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**NOTE 3 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2006, was as follows:

	<u><b>Beginning Balance</b></u>	<u><b>Increases</b></u>	<u><b>Decreases</b></u>	<u><b>Ending Balance</b></u>
Capital assets not being depreciated:				
Construction in progress	\$ 84,705	\$ 91,374	\$ -	\$ 176,079
Capital assets being depreciated:				
Building improvements	17,204	72,123	-	89,327
Vehicles	566,475	-	(42,516)	523,959
Machinery and equipment	51,273	-	-	51,273
Office equipment	<u>18,370</u>	<u>2,498</u>	<u>-</u>	<u>20,868</u>
Total capital assets being depreciated	<u>653,322</u>	<u>74,621</u>	<u>(42,516)</u>	<u>685,427</u>
Less: accumulated depreciation				
Building improvements	(7,982)	(3,546)	-	(11,528)
Vehicles	(203,182)	(71,982)	42,516	(232,648)
Machinery and equipment	(16,775)	(5,191)	-	(21,966)
Office equipment	<u>(17,094)</u>	<u>(1,317)</u>	<u>-</u>	<u>(18,411)</u>
Total accumulated depreciation	<u>(245,033)</u>	<u>(82,036)</u>	<u>42,516</u>	<u>(284,553)</u>
Total capital assets being depreciated, net	<u>408,289</u>	<u>(7,415)</u>	<u>-</u>	<u>400,874</u>
<b>Total capital assets, net</b>	<u><b>\$ 492,994</b></u>	<u><b>\$ 83,959</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 576,953</b></u>

**CITY OF ALMA  
D.A.R.T. FUND**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

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**NOTE 4 - PENSION PLAN**

The D.A.R.T. Fund participates in a pension plan through the City of Alma. The City has a defined benefit pension plan covering all full-time employees except the City Manager. The plan is operated by the Municipal Employees Retirement System (MERS), which is an agent multiple-employer retirement system. MERS issues a publicly available financial report that includes financial statements and required supplemental information. The report may be obtained by writing to:

Municipal Employees Retirement System of Michigan  
477 Canal Road  
Lansing, MI 48917

Additional information related to the pension plan can be obtained from the City of Alma's Comprehensive Annual Financial Report, which may be obtained from the Finance Department of the City of Alma.

**NOTE 5 - OTHER POSTEMPLOYMENT BENEFITS**

In addition to the pension benefits described in Note 4, D.A.R.T. Fund employees are eligible to receive benefits under the City of Alma's postemployment health care plan for eligible retirees and their dependents. Participating retirees are required to pay a set premium for their portion of the costs. The costs for participation in this program were immaterial for the year ended June 30, 2006.

**NOTE 6 - COMPENSATED ABSENCES**

The City allows employees to accumulate unused sick leave to a maximum 720 hours. Sick leave is paid only upon illness while in the employment of the City. Sick leave is not paid upon termination. No provision is made for nonvesting sick leave due to the uncertainty of actual amounts that may eventually have to be paid.

Earned vacation time is required to be used within two years of accrual with a maximum of 120 hours of carryover. Earned vacation time is paid upon termination. The liability for accrued vacation leave has been recorded as part of salaries payable.

**CITY OF ALMA  
D.A.R.T. FUND**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

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**NOTE 7 - RISK MANAGEMENT**

The Fund is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Fund participates through the City of Alma in the Michigan Municipal Risk Management Authority (MMRMA), a public entity risk pool for cities, counties, authorities, colleges and other local units of government.

The Fund's maximum risk retention as a participant in the MMRMA is limited to \$75,000 per occurrence for general and auto liability. The retention limit on auto physical damage is \$15,000 per unit and \$30,000 per occurrence after a \$1,000 deductible. The retention limits for property coverage are subject to a \$1,000 deductible with 10% of the first \$100,000 to be paid by the Fund.

**NOTE 8 – OPERTING LEASE**

The Fund rents the facility under an agreement with the City which is accounted for as an operating lease. Net rental expense was \$1,100 for the year ended June 30, 2006.

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## **SUPPLEMENTARY SCHEDULES**



**CITY OF ALMA**  
**D.A.R.T. FUND**  
**SCHEDULE OF OPERATING REVENUES**  
**YEAR ENDED JUNE 30, 2006**

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	<u>7/1/05 to 9/30/2005</u>	<u>10/1/05 to 6/30/2006</u>	<u>Total</u>
<b>Operating revenues</b>			
Customer fares and ticket sales	\$ 21,825	\$ 54,662	\$ 76,487
Commissions	259	1,444	1,703
Advertising	<u>329</u>	<u>915</u>	<u>1,244</u>
<b>Total operating revenues</b>	<u><u>\$ 22,413</u></u>	<u><u>\$ 57,021</u></u>	<u><u>\$ 79,434</u></u>

**CITY OF ALMA**  
**D.A.R.T. FUND**  
**SCHEDULE OF OPERATING EXPENSES**  
**YEAR ENDED JUNE 30, 2006**

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total System</u>
<b>Operating expenses</b>				
Labor				
Operator's salaries and wages	\$ 188,137	\$ -	\$ -	\$ 188,137
Other salaries and wages	-	19,883	58,976	78,859
Dispatcher	46,889	-	-	46,889
Fringe benefits	52,706	5,895	13,791	72,392
Services				
Other services	2,109	4,766	30,442	37,317
Materials and supplies consumed				
Fuel and lubricants	29,200	-	-	29,200
Tires and tubes	2,085	-	-	2,085
Other materials and supplies	7,494	19,283	8,709	35,486
Utilities	7,715	-	116	7,831
Casualty and liability costs				
Premiums for public liability and property damage insurance	8,586	-	993	9,579
Miscellaneous expenses				
Travel and meetings	362	-	335	697
Dues and subscriptions	369	-	340	709
Leases and rentals	2,100	-	-	2,100
Depreciation	82,036	-	-	82,036
<b>Total operating expenses</b>	<u>\$ 429,788</u>	<u>\$ 49,827</u>	<u>\$ 113,702</u>	<u>\$ 593,317</u>

**CITY OF ALMA**  
**D.A.R.T. FUND**  
**SCHEDULE OF NONOPERATING REVENUES**  
**YEAR ENDED JUNE 30, 2006**

	<u>7/1/05 to 9/30/2005</u>	<u>10/1/05 to 6/30/2006</u>	<u>Total</u>
<b>Nonoperating revenues</b>			
Local operating revenue			
Tax levy	\$ 125,148	\$ 14,822	\$ 139,970
Interest income	4,449	34,699	39,148
Other revenue	<u>(4)</u>	<u>2,711</u>	<u>2,707</u>
<b>Total nonoperating revenues - local</b>	<u>\$ 129,593</u>	<u>\$ 52,232</u>	<u>181,825</u>
<b>State of Michigan Grants</b>			
Local bus operating assistance (Act 51)			216,491
Adjustment of prior year local bus operating assistance (Act 51)			<u>(1,801)</u>
<b>Total state grants</b>			<u>214,690</u>
<b>Federal Grants</b>			
U.S. DOT capital grant - Section 5309, Contract 02-0004/Z6			96,455
U.S. DOT operating grant - Section 5311, Contract 02-0004/Z11			77,236
U.S. DOT operating grant - RTAP			<u>700</u>
<b>Total federal grants</b>			<u>174,391</u>
<b>Total nonoperating revenues</b>			<u>\$ 570,906</u>

**CITY OF ALMA**  
**D.A.R.T. FUND**  
**SCHEDULE OF EXPENSES BY CONTRACT AND GENERAL OPERATIONS**  
**JUNE 30, 2006**

	<u>RTAP</u>	<u>Operations</u>
Labor	\$ -	\$ 313,885
Fringe benefits	-	72,392
Services	-	37,317
Materials and supplies	700	66,071
Utilities	-	7,831
Casualty and liability costs	-	9,579
Miscellaneous expense	-	1,406
Lease and rentals	-	2,100
Depreciation	-	82,036
	<hr/>	<hr/>
<b>Total</b>	700	592,617
	<hr/>	<hr/>
Less: ineligible expenses	-	57,342
	<hr/>	<hr/>
<b>Total eligible expenses</b>	<u>\$ 700</u>	<u>\$ 535,275</u>

**CITY OF ALMA**  
**D.A.R.T. FUND**  
**NET ELIGIBLE COSTS COMPUTATION OF GENERAL OPERATIONS**  
**YEAR ENDED JUNE 30, 2006**

	<u>Federal Section 5311</u>		<u>State Operating Assistance</u>	
	<u>7/1/05 to 9/30/2005</u>	<u>10/1/05 to 6/30/2006</u>	<u>7/1/05 to 9/30/2005</u>	<u>10/1/05 to 6/30/2006</u>
<b>Expenses</b>				
Labor	\$ 67,268	\$ 246,617	\$ 67,268	\$ 246,617
Fringe benefits	16,229	56,163	16,229	56,163
Services	7,707	29,610	7,707	29,610
Materials and supplies	14,481	52,290	14,481	52,290
Utilities	1,967	5,864	1,967	5,864
Casualty and liability costs	7,332	2,247	7,332	2,247
Miscellaneous	468	938	468	938
Leases and rentals	525	1,575	525	1,575
Depreciation	19,937	62,099	19,937	62,099
<b>Total expenses</b>	<u>135,914</u>	<u>457,403</u>	<u>135,914</u>	<u>457,403</u>
Less: ineligible expenses				
RTAP grant expenditures	219	518	219	518
Depreciation add back for contributed capital	14,151	42,454	14,151	42,454
<b>Total ineligible expenses</b>	<u>14,370</u>	<u>42,972</u>	<u>14,370</u>	<u>42,972</u>
<b>Net eligible expenses</b>	<u>121,544</u>	<u>414,431</u>	<u>121,544</u>	<u>414,431</u>
Eligible under Federal Section 5311	<u>\$ 121,544</u>	<u>\$ 414,431</u>		
Eligible under State Operating grants			<u>\$ 121,544</u>	<u>\$ 414,431</u>
Maximum Section 5311 reimbursement (12.40 %)	<u>\$ 15,071</u>			
(15.00 %)		<u>\$ 62,165</u>		
Maximum State Operating Assistance (Greater of):				
Statutory cap: 60% of eligible expenses				
FY 2005 formula ( 208,104 x 3/12) = \$52,026			<u>\$ 52,026</u>	
Maximum State Operating Assistance (Greater of):				
Statutory cap: 60% of eligible expenses				
FY 2006 formula ( 208,104 x 9/12) = \$156,078				<u>\$ 162,664</u>

**CITY OF ALMA  
D.A.R.T. FUND  
SCHEDULE OF MILEAGE DATA  
YEAR ENDED JUNE 30, 2006  
(UNAUDITED)**

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	<b><u>Public Transportation Mileage</u></b>
<b>Demand - Response</b>	
First quarter - 7/1/05 to 9/30/05	19,715
Second quarter - 10/1/05 to 12/31/05	22,417
Third quarter - 1/1/06 to 3/31/06	23,073
Fourth quarter - 4/1/06 to 6/30/06	<u>20,914</u>
<b>Total Operation</b>	<u><u>86,119</u></u>

The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

**CITY OF ALMA  
D.A.R.T. FUND  
SCHEDULE OF INELIGIBLE EXPENSES  
JUNE 30, 2006**

<b>Program</b>	<b>Finding</b>	<b>Federal Section 5311 and per OMB Circular A-87</b>	<b>State Operating Assistance per Revenue and Expense Manual</b>
Urban Mass Transportation Administration			
Operating Grants:			
1	Depreciation: depreciation accrued on contributed capital must be deducted as an ineligible expense.	\$ 56,605	\$ 56,605
2	Reimbursement: conference expense that was reimbursed by the Dept. of Transportation has been deducted as ineligible.	737	737
		<u>\$ 57,342</u>	<u>\$ 57,342</u>

## **INTERNAL CONTROL AND COMPLIANCE**





**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

November 3, 2006

To the City Commission  
City of Alma  
Alma, Michigan

We have audited the financial statements of the D.A.R.T. Enterprise Fund of the City of Alma, Michigan, as of and for the year ended June 30, 2006, and have issued our report thereon dated November 3, 2006. The financial statements present only the D.A.R.T. Enterprise Fund and are not intended to present fairly the financial position, changes in financial position or cash flows of the City of Alma, Michigan. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the D.A.R.T. Enterprise Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the D.A.R.T. Enterprise Fund financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance or other matters with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, and the City Commission and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, stylized 'L' at the beginning.